

Dear Mr. Pavlik,

I was a resident in Switzerland from 1998 to 2010. While in Switzerland I founded a company called JDFX Holding AG. JDFX specialized in high frequency trading technology. In 2008, I sold 20% of JDFX to Market Shot LLC of Minnesota and received a capital gain of 10 Million USD. One year later (2009), I sold an additional 15% of JDFX to Market Shot and received a capital gain of 5.25 million USD.

During the period of 2007 through 2009, I loaned a substantial portion of the capital gains back to JDFX as working capital. In Switzerland there is no capital gain tax for a Swiss nationals and the aforementioned sale and loan vehicle was properly structured. However as a US citizen, the selling of corporate shares should have been done through the corporation itself.

In late 2009 the owner of Market Shot LLC, namely Mr. Trevor Cook, was federally indicted for running a 190 Million USD Ponzi scheme. As Cook was a 35% owner in JDFX, the minute the news hit the press JDFX vendors and customers began terminating relationships until finally Deutsche Bank terminated the Prime Brokerage agreement which simultaneously terminated relationships with all banks and liquidity providers. Shortly thereafter JDFX was forced into liquidation and my private loans became uncollectable and therefore a personal loss.

Although the loss was not a direct cash investment into a Ponzi scheme, the loss was a personal, immediate, and direct result of a Ponzi scheme. For that reason, the personal loss on the loans from 2007 through 2009 should be used to partially offset the capital gains from 2008 and 2009.

There is a substantial amount of information and press online concerning this Ponzi scheme - it was the second largest foreign currency Ponzi scheme in US history. Please file this letter with my amended returns, as I would like to the IRS to understand the reasoning behind the amendment. My records are extremely organized and upon demand I can produce documents, records, statements, and/or agreements relating this case for auditing purposes.

Sincerely,

James Pieron.

